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106TH CONGRESS
2D SESSION

H. R. 3682

To amend title XVIII of the Social Security Act to prohibit the use of Medicare risk-based managed care payments for administrative costs not permitted under the Federal Acquisition Regulation.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2000

Mr. GEJDENSON introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To amend title XVIII of the Social Security Act to prohibit the use of Medicare risk-based managed care payments for administrative costs not permitted under the Federal Acquisition Regulation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Medicare HMO Administrative Payment Integrity Act of 2000".

SEC. 2. FINDINGS.

Congress finds the following:

(1) There are 6.5 million Americans enrolled in medicare risk-based managed care organizations, primarily through the Medicare+Choice program.

(2) Congress established the Medicare+Choice program in part to reduce dramatic increases in Federal expenditures for medicare and to give seniors additional choices for health care services.

(3) Over the past two years, Medicare+Choice organizations have terminated coverage for 734,000 medicare beneficiaries nationwide.

(4) Medicare+Choice organizations maintain that reimbursement rates in many regions of the country are too low to meet expenses.

(5) The Health Care Financing Administration has repeatedly concluded that reimbursement rates are adequate to cover reasonable expenses of Medicare+Choice organizations.

(6) The Inspector General of the Department of Health and Human Services has also estimated that risk-based managed care organizations received approximately $1,000,000,000 in excess administrative payments under the medicare program annually between 1994 and 1998.

(7) Excessive administrative payments received by risk-based managed care organizations further

undermine the contention that such organizations have not received adequate compensation from the American taxpayer.

(8) The Inspector General of the Department of Health and Human Services has also concluded that some risk-based managed care organizations have used administrative payments received through medicare for purposes other than paying expenses directly related to the provision of medical care.

(9) The Inspector General found that taxpayer dollars were used to pay for trips, tickets to sporting events, parties, gifts, and other expenses unrelated to the direct provision of medical care.

(10) The use of taxpayer dollars for such non-medical purposes is unacceptable and should be prohibited by law.

SEC. 3. PURPOSE.

It is the purpose of this Act to ensure that medicare payments to risk-based managed care organizations for administrative costs are made in a manner consistent with Federal Acquisition Regulation.

SEC. 4. PROHIBITION ON USE OF MEDICARE RISK-BASED MANAGED CARE PAYMENTS FOR ADMINISTRATIVE COSTS NOT PERMITTED UNDER THE FEDERAL ACQUISITION REGULATION.

(a) PROHIBITION OF USE OF MEDICARE PAYMENTS FOR COSTS NOT RECOGNIZED AS REASONABLE UNDER THE FEDERAL ACQUISITION REGULATION.—Section 1857(e) of the Social Security Act (42 U.S.C. 1395w–27(e)) is amended by adding at the end the following new paragraph:

"(3) PROHIBITION OF USE OF MEDICARE PAYMENTS FOR COSTS NOT RECOGNIZED AS REASONABLE UNDER THE FEDERAL ACQUISITION REGULATION.—The contract shall provide that none of the funds paid to the organization under this title may be used for expenditures that would not be recognized as reasonable under the Federal Acquisition Regulation."

(b) DISALLOWANCE OF UNREASONABLE ADMINISTRATIVE COSTS IN DETERMINING THE ADJUSTED COMMUNITY RATE IN COMPUTING ADDITIONAL BENEFITS FOR MEDICARE BENEFICIARIES.—Section 1854(f) of such Act (42 U.S.C. 1395w–24(f)) is amended—

(1) in paragraph (3), by striking "paragraph (4)" and inserting "paragraphs (4) and (5)"; and

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(2) by adding at the end the following new paragraph:

"(5) DISALLOWANCE OF UNREASONABLE ADMINISTRATIVE EXPENDITURES.—In determining the adjusted community rate, administrative expenditures shall not be taken into account if they would not be recognized as reasonable under the Federal Acquisition Regulation.".

(c) EFFECTIVE DATE.—The amendments made by this section apply to contracts entered into or renewed for plans years beginning on or after January 1, 2001.

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